GrummanWorld

Volume 5, Number 20 November 14, 1986

Advanced Flight Test System Dedicated At Calverton

CALVERTON, L.I. — Though it's not running at full capacity yet, Grumman Flight Test's new advanced Automated Telemetry System was officially dedicated on October 27.

"The updated ATS will play a key role in upcoming programs, particularly the A-6F and F-14D," said Aircraft Systems President Renso Caporali at the ribbon-cutting ceremony. "Those aircraft programs have a big impact on the immediate future of the company."

Joining Caporali at the ceremony in Building 7 were Data Systems president Bob Myers, Flight Test director Dick Mazourek, and George Chamberlin, Digital Equipment Corporation's engineering vice president.

Though only about a third complete, the new ATS has been tracking the F-14A+ first flights, which numbered nine on ribbon-cutting day. The ATS will be fully operational by the end of next year.

Myers pointed out that the original ATS was part of Grumman's F-14 proposal in the late '60s. "The ATS became highly prized at Grumman and admired in the industry."

The ATS continuously receives information from sensors placed throughout planes being flight tested. During a flight test, engineers can analyze what's going on in the plane's structure, electronic systems and engines.

Until now, data could only be displayed on one computer terminal. Other engineers had to keep track of what was going on in the aircraft by studying graphs being drawn on rolls of paper by chart pens.

Now, engineers have six terminals available to them. Ultimately, they will have as many as 40.

They can manipulate data with the help of the system's new computers and the information is displayed in color. In addition, both classified and non-classified flight tests can take place simultaneously. That wasn't possible with the original ATS configuration.

Data Systems has been upgrading the old ATS for the last two years. Based on some new DEC hardware and a Floating Point System 164 processor, which Max Simpson of Data Systems calls a poor man's supercomputer, the upgraded ATS will be the nerve center of an ambitious Grumman flight test schedule.

Soon after January 1, 1987, flight test areas over the Atlantic will be well used as F-14D, A-6F, radar upgraded E-2C and ADVCAP EA-6B aircraft take to the air.

Depending on the type of flight tests being conducted, the new ATS will be able to process data from as many as five test aircraft simultaneously.

In addition, the Navy picked Calverton as the single flight test site for the F-14D and A-6F full scale development programs.

Beyond that, the demand on the new ATS was multiplied because the meaning of "flight test" today includes not just seeing how the plane performs, but how its many radar, communications and weapon systems operate.

"The ATS is the heart of the Grumman Flight Test system," said Mazourek. "The earlier system proved the value of real time telemetry."

"The difference between the two is like the difference between the horse and buggy and the horseless carriage," said ATS manager Tom Kastner. "We're entering into a new era of real time analysis of test data."■

Making It Official. *The partially installed, advanced Automated Telemetry System has already been put to work on the F-14A+ flight test program. But a ceremony was held to dedicate the new system and doing the honors were: (from L) Flight Test director Dick Mazourek, Data Systems president Bob Myers, Aircraft Systems president Renso Caporali and George Chamberlin, vice president-Engineering, of the Digital Equipment Corporation. (Photo by Gerry Costello)*

Technologies Pursued In ATF Effort Are Still Important To Grumman

On October 31, the U.S. Air Force selected two industry teams, one led by Lockheed and the other by Northrop to build prototypes of the advanced tactical fighter called ATF. The contracts are worth about $690 million each.

While both companies had teamed with other major aerospace firms to win ATF contracts, Grumman had submitted its own proposal.

Grumman has been researching advanced technologies for the ATF for over a decade. However, as the program moved into the final stages, many changes took place — changes which spurred Grumman to prioritize its commitments.

One of those changes was the Pentagon's new procurement rules which force defense contractors to do most of the early design work at their own expense. "While the ATF teams will receive about $690 million each, they will also have to contribute hefty investments themselves," says Grumman Aircraft Systems President Renso Caporali. During the past year, the ATF program evolved from a paper study to a full scale demonstration/validation program.

In early 1986, Grumman's ATF team submitted its proposal. "Considering the funding and resource constraints, they did a great job," says Caporali. "However, by that time, we realized that we could not commit our resources to a dem/val program of the size intended."

Grumman is already investing millions of dollars of its own money in other advanced programs. "The government is asking the aerospace industry to take on more of the financial risk and to pay up front for tooling and development costs. Even with the initial outlay of funds, you are not guaranteed a production contract. We had to make a decision on whether to take on another high-risk venture. As a result, ATF did not receive the attention such an endeavor required."

A development that may affect Grumman's ATF effort is the Memorandum of Understanding signed by the secretaries of the Navy and Air Force in March of this year.

In this memo, both services pledged to work toward the utilization of the other's next-generation aircraft: the Air Force's ATF and the Navy's Advanced Tactical Aircraft (ATA).

The services agreed to share whatever components, technologies, and materials which suit both the ATF and the ATA. In addition, the Navy will assess the feasibility of using a variant of the ATF as an eventual replacement of the F-14; the Air Force will examine the use of a variant of the ATA to replace its F-111.

Grumman is interested in the ATA, so the technologies developed in pursuit of the ATF contract are still important. "In today's business environment, aerospace firms must spend their own funds to conduct independent research on advanced aircraft technologies — from stealth to avionics to artificial intelligence," continues Caporali. "If you don't, you cannot be expected to be able to compete in the years ahead."

Even if Grumman should have the opportunity to become a minor partner on one of the ATF teams, the company would have to seriously look at the financial risk. "Both teams will be spending millions of dollars of their own money, yet there will be only one winner," says Caporali. "Aerospace companies are playing in an entirely new ballgame. It's a game that requires a lot of financial resources. The demands on a company's resources — especially one Grumman's size — are tremendous. You have to weigh all the odds before making an investment."■

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Grumman Releases 3rd Quarter Results

On Tuesday, November 4, Grumman Corporation reported quarterly net income of $15.9 million or 46 cents a share for the third quarter of 1986.

Net income in the third quarter of 1985 was $8.3 million or 24 cents a share which included a charge of $30 million or 56 cents per share, for the estimated cost to redesign and repair the F-14 main landing gear bulkhead.

Third quarter 1986 sales were $875.7 million, an increase of about $100 million over the prior-year period.

For the first nine months of 1986, sales of $2.6 billion resulted in net income of $53.9 million or $1.60 per share, an eight percent decrease in net income from the 1985 period. During the same period last year, sales totaled $2.3 billion and net income was $58.4 million or $1.89 per share.

Sales increased $304 million in the 1986 period, of which $154 million was attributable to the F-14D and A-6F development programs being performed under no profit contracts with the Navy. Other increases were in the electronics systems and information and other services segments.

Aerospace segment profits declined $18.6 million, principally due to lower overall contract prices, higher than expected costs on various aircraft programs, and the phase-out of the successful EF-111A program.

Sales in the non-aerospace segments of the business increased by $171 million or 55 percent, while profits increased by approximately $15.9 million or 41 percent over the 1985 period. The increases came in the electronics systems segment, attributable principally to the Joint STARS program, and in the information and other services segments, which includes a $7.1 million gain on the sale of a subsidiary.

Consolidated interest costs increased by $13 million as the result of higher borrowings in the nine months of 1986. Research and development costs that are not funded under current contracts were $56.9 million, which is a $2.9 million increase over the 1985 period.

As in previous periods, the F-14D and A-6F development programs have been included in the nine months' 1986 results on a break-even basis. However, as previously reported, certain technical problems could significantly affect program costs and schedules, as well as the performance of the aircraft. These problems were recognized during preliminary tests on government furnished equipment and program reviews. Additional tests and reviews are being conducted by the company and the Navy to determine the nature and extent of these problems and to identify possible solutions. The company is continuing to analyze the potential impact on program costs and associated responsibilities. However, there is a disagreement between the company and the Navy with respect to certain of the associated responsibilities. Pending the resolution of these matters, the company is unable to determine if or to what extent there will be any attendant loss.

Grumman Chairman Jack Bierwirth said, "The nine months' results met our expectations. Complex development programs under fixed price contracts are risky undertakings, but we are confident that the Navy and Grumman will work out a solution to the F-14D and A-6F problems and that these new aircraft will be in the fleet before the end of 1990.

"We are pleased at the progress made in the electronics systems, special purpose vehicles and information services segments, and we expect the growth in sales and earnings to continue. We are actively reducing our costs to improve both our competitive position and our profitability."■

Overseeing Overhaul. *Bob Myers (L), Data Systems president, talks to the press about how Grumman will manage the installation of the county's new $10 million police information computer system. Suffolk County Executive Peter Cohalan (R) praised the system, saying it would bring the county into the 21st century. (Photo by Bob Settles)*

Suffolk County Cops Nab Grumman For Computer Job

Life will be tougher for criminals in Suffolk County, Long Island thanks to a new computer system that will enhance police safety, as well as cut down on response time and paperwork.

Under a $125,000 agreement with the Suffolk Police Department, Grumman will manage the complete overhaul of the department's six-year-old computer system. The contract is renewable in 1987 for $1.2 million. Six Grummanites will begin work this month at police headquarters in Yaphank.

"This program will bring the Suffolk County Police Department into the 21st century," says Suffolk County Executive Peter Cohalan. "This automated criminal justice services system will not only improve the management and efficiency of the police department, but will serve as a model for all major police departments throughout the country."

Data Systems Division's Information Systems unit will provide management and technical services to the police department; Burroughs Corp is installing the system.

"This is a great opportunity for Grumman," says Bob Myers, president of Grumman Data Systems. "We have been pursuing business with Suffolk County for some time."

Under its agreement, Grumman will determine what's necessary to convert from the old to the new system. A test plan will also be developed by Grumman and Suffolk County to ensure that the system meets all functional and durability test standards.

In addition, the company will monitor the effectiveness of police training courses and recommend modifications if necessary. The performance of the hardware and software will be analyzed by Grumman.

"We get about 890,000 emergency calls a year," says Suffolk County Police Commissioner DeWitt Treader. "In order to meet the needs of the community, the department had to improve its system. In addition, the system will be hooked up to the New York State Information Network so our people can get statewide details on a case quickly."

The improved emergency call system will be fully installed by September, 1987. With the new system, a person who's having a heart attack and is only capable of dialing emergency can be helped quickly. When the operator at police headquarters answers the call, the caller's name and location automatically appear on the computer screen. The old system does not have this capability.

The new system will also include the installation of computer terminals in 220 county patrol cars, which will save police response time and enhance their safety. Under the current system, if a police officer is on patrol and sees a drunk driver, he'll radio headquarters for information. It takes time for the information to be radioed back to the officer.

With the new $10 million system, each police officer will have a terminal in his patrol car so information is readily available. He'll be able to bring up the license and registration on his screen. Any prior arrests will show up.

The new system will also minimize or eliminate the time police officers spend preparing reports.

"You can't even compare this new system to our present one," says Treader. "One of the biggest complaints of police is paperwork. It takes days to process an arraignment. This system will eliminate all that excess work."■

More Juice For Navy Jets

Aircraft Systems is looking at ways to put more efficient, reliable electrical power systems into aircraft under an 18-month, $105,000 contract with the Navy.

A Technical Operations team in Building 14 in Bethpage is working on a 270 volt direct current system called RE^3S, which stands for Reliable, Energy Efficient Electrical System.

"We have done prior work on this system with the Naval Air Development Center," says Fred Berger, director of Advanced Development. "Over the years the NADC has researched and developed the 270 Volt DC concept. We plan to make maximum use of these developments."

Future aircraft will definitely need a more powerful electrical system. "More power is required because we're hanging more equipment on aircraft," says Berger. Today's aircraft have many times more electronic equipment — avionics — than the planes that flew during the '50s and '60s.

The RE^3S will address a number of problems, particularly survivability, reliability and improved system efficiency, while cutting the weight and volume of aircraft electrical systems.

Like many advanced programs, it has one additional purpose. "There are different electrical load requirements for various aircraft," Berger explains, "but this program is trying to standardize the solution to those requirements."■

Government Puts Expense Accounts On Permanent Diet

On your next business trip, think twice about ordering filet mignon for supper.

New government limits on how much can be charged against contracts have forced Grumman to revamp its business travel expense policy. Strict new per diem allowances have been set for just about any city a Grummanite might visit on business. These rates went into effect September 27.

Grumman Travel Operations has a list of per diem allowances. The amount is what the company will reimburse you per day for accommodations, food and incidental expenses during a business trip. The limit is $70 a day in Milledgeville, Georgia, and in Stuart, Florida; and $86 in Whidbey Island, Washington. Some cities have a government and a corporate rate. The rates in Washington, D.C., are $112 and $115, depending on your choice of government- or company-approved accommodations.

For any night that you are in a hotel, the per diem rate is in effect that day. If you catch a 7 p.m. flight the day you leave and check into a hotel that night, you are entitled to the entire per diem, even though you may have had supper at home.

In addition, you must travel coach class for all domestic flights. Business class is only available for international business trips over 2,600 miles; first class is okay for flights over 7,000 miles.

"We are getting some flack on this," says Bob Foster, deputy director of Personnel and Administration. "We expected that. The biggest problem is the cultural changes our people will have to make. Before the changes, people often stayed in the best places in town."

An act of Congress caused these changes. A law passed by Congress in December 1985 raised the per diem rates for government employees effective last July 1.

"One of the reasons for the change in the law was that government employees were held to ridiculous ceilings in what they could spend," says Foster. He says a General Services Administration (GSA)-sponsored survey determined that $212 a day was needed for meals and lodging on a business trip to New York City. Before the new law, government employees were reimbursed $75 a day. Anything over the $75 came out of their pockets.

Understandably, Congress raised their per diem rate. But Congress also made those same rates binding on contractors. Anything spent above the limits could not be charged against a contract. It would have to come out of company profits.

When the law was drafted, the GSA hired a consulting firm to survey different cities in the U.S as to the cost of hotels, meals and the other travel expenses. "The subsistence levels in the reports were not too bad," says Foster. "But then the GSA reduced those numbers by a considerable amount, especially in the expensive cities."

The big problem: Contractors couldn't meet the rates set in the draft of the law. "Government employees got a lot of discounts from hotel chains that we couldn't get," Foster says. Seeing this, the government has negotiated with hotels to grant its contractors the same discounts its employees get. Not all hotels agreed to do that. Any that didn't will not appear on the list of approved hotels.

"Word we're getting from people is that they are adjusting to the new rules rather well," says Foster. But he admits that some Grummanites have had problems staying within the limits. "Where we have had problems we've made changes."

Al Wallace, the manager of Travel Operations, recalls a problem with the Fishkill, New York, rate.

"The per diem rate was $86, and our people were experiencing some severe problems staying within that limit.

"We reviewed expense reports to determine spending levels and looked at the rates being charged by hotels in the area and found that the per diem was inadequate," he recalls. The rate was raised to $100.

"We want feedback from Grummanites," Wallace states.

As manager of Travel Operations, Wallace administers the business travel program. Last year, Grummanites took over 5,000 business trips lasting an average of three days, so the new rules affect many people. Wallace admits that the new policy has caused some headaches.

On a broad scale he says, "The government has given us a directory of hotels for every city that they have negotiated special rates. The problem is, we are not always familiar with these hotels and the areas they are in.

"We need feedback from the people who stay in these hotels so we can decide to stick with them or search for more acceptable accommodations."

"There are problems in the $50 cities," says Wallace. The government only issued per diem rates for 400 U.S. locales. Many cities visited by Grummanites aren't on this list. The government gave such cities arbitrary, $50 per diem rates.

With these cities, it's very important that Grummanites report how the per diem matches with their actual expenditures, says Wallace. Grumman will probably have to go back to the government and ask for more realistic per diem rates for these cities.

If you're planning a trip, you can look up the per diem rate for the city you are visiting before you leave. Your department administrator has the complete list.

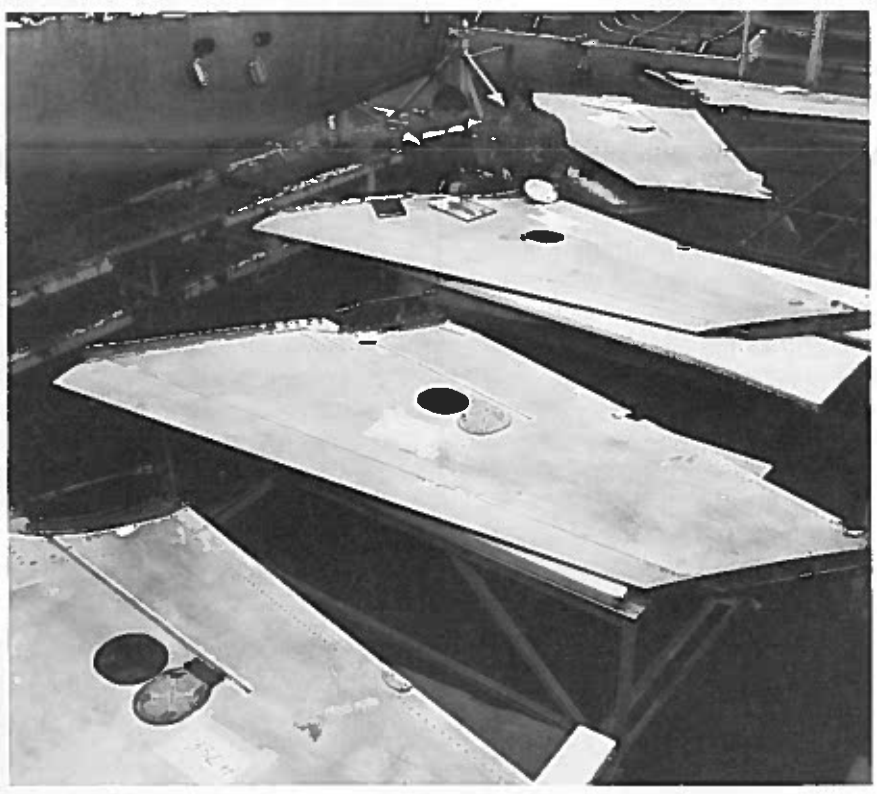
In addition, the rate will be on the bottom of your travel itinerary. That's the report of your hotel reservations, car rental reservations, etc., that you get from the Austin Travel or American Express Travel Service, Grumman's travel agencies.

You need not worry about picking a hotel from Grumman's preferred listing. The travel agents will take care of that for you.

How much money should you figure to have for your trip? Wallace suggests that $75 to $100 a day should cover your expenses and any emergency depending on the city you are visiting. Holders of Grumman-issued American Express cards should request $200 in cash, anything more in travelers checks.

If you are a frequent traveler, especially if you go on six or more business trips a year, Wallace says you should get a company credit card. See your group director if you feel you should have one.

If you have questions or would like to comment on problems you faced under the new system, or good things you found, call Janet Fiore, Travel administrator, Travel Operations in Bethpage, (111) 58612. ■



Looking For Trouble. *Barry Wallace (L) of F-14 Manufacturing Program Management and Peter Greustad of Assemblies check the condition of some stripped-down F-14 vertical fins in Building 3 in Bethpage. These will be rebuilt to the latest configuration as part of the update of 25 F-14s for two Naval Reserve squadrons in Dallas, Texas. (Photo by Bob Sagliocca)*

Personals

My family and I wish to express our sincere thanks and appreciation to all our friends, co-workers and ESO for their kind expressions of sympathy during the recent loss of my father. **Louis Failla**

My family and I wish to thank my friends, co-workers and ESO for their kind expressions of sympathy during the recent loss of my mother. **Gloria Crevoiserat**

To our Grumman family and ESO: We deeply appreciate your thoughtful expressions of sympathy which were of the greatest comfort to us in our sorrow. **Peggy and Amy Boye**

My family and I wish to thank friends and co-workers for their kind expressions of sympathy during the recent loss of my mother. **Bob Robertson**

The Morach family wishes to express its sincere thanks to co-workers, friends and ESO for the kindness and sympathy demonstrated during the recent loss of my mother. **William B. Morach**

My family and I wish to express our sincere thanks and appreciation to all my co-workers in Liaison Engineering and ESO for their kind expressions of sympathy during the recent loss of my mother. **Joseph F. Sansotta**

Grumman World — Vol. 5, No. 20, November 14, 1986. Published twice a month for active and retired employees of Grumman Corporation. 1111 Stewart Ave., Bethpage, N.Y. 11714. W.B. Jones, Vice President-Public Affairs.

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Obituaries

Stephen Belgrave of Maintenance, Bethpage, Services Division, died October 6 at the age of 39. He had been with the company since 1974 and resided at 150 Washington St., Hempstead, N.Y.

William Byas of Corporate Estimating, Bethpage, Space Division, died October 3 at the age of 47. He had been with the company since 1965 and resided at 68 Ford Dr., Massapequa, N.Y.

Charles M. DeBuccio of Pricing & Analysis, Bethpage, Services Division, died September 17 at the age of 62. He had been with the company since 1969 and resided at 12 Lodge La., Miller Place, N.Y.

Raymond J. Fannan of Configuration Data, Calverton, Aircraft Systems Division, died October 1 at the age of 59. He had been with the company since 1965 and resided at 11-13 Pond Way, Manorville, N.Y.

Wilbur A. Gerken of Model Shop, Bethpage, Aircraft Systems Division, died October 11 at the age of 58. He had been with the company since 1960 and resided at 4 Joseph Ct., Farmingville, N.Y.

Robert G. Riebe of F-14 Upgrade, Calverton, Aircraft Systems Division, died October 14 at the age of 55. He had been with the company since 1978 and resided at 750 Lilac La., Cutchogue, N.Y.

Jeffrey Whitehead of Technical Services Division, California, died October 20 at the age of 27. He had been with the company since April 1986 and resided at 560 Ebbtide Circle, Port Hueneme, California.

Over The Long Haul, Tax Reform Fortifies In

Tax Reform Act of 1986 changes the rules for withdrawals, deferred compensation contributions, incom

The Tax Reform Act of 1986 has a big impact on the Grumman Employee Investment Plan (EIP).

The new law makes it costly to withdraw your Employee Investment Plan money - both your deferred compensation option (DCO) funds and regular contributions which are made after January 1, 1987. There are new ceilings on deferred compensation option amounts. Income averaging will be affected. In addition, PAYSOP (Payroll Based Stock Ownership Plan) was terminated by the tax bill (see sidebar on PAYSOP).

Grumman established the Employee Investment Plan in June 1965. It was designed for long term capital growth and increase of future income. In short: an ideal investment vehicle for Grummanites to sock away money for retirement.

"The EIP is not intended for 'making a killing' in the market by taking advantage of short-term swings on Wall Street," says Bob Bradshaw, Grumman Corporation vice president and secretary. "It is offered in the belief that members investing on a long-term basis will realize a considerable gain over the amount they invested."

The recently signed Tax Reform Act fortifies the Employee Investment Plan as a long-term investment vehicle — especially when used to supplement your retirement income. If you are using the EIP for short-term savings to finance your child's college education or to buy a home, you may want to review your current financial plans.

Many of the changes made by the new tax law are quite complex. Further details have been mailed to all Employee Investment Plan members with the third quarter report issued this month.

The new tax law has changed the rules for withdrawals of your regular Employee Investment Plan contributions deposited after January 1, 1987.

With regular contributions, you have already paid tax on the money. Prior to the Tax Reform Act, you could take out your regular contributions without penalty if the money was left in the account for two years. If the money was not in for two years, the company matching contributions were suspended for three months. You did not pay taxes on the money withdrawn.

All regular after-tax contributions deposited in the Employee Investment Plan up until December 31, 1986 will not be affected by the new law. In the future, you can continue to withdraw the regular contributions that you invested prior to January 1, 1987. There are no penalty taxes levied on contributions you made this year or in previous years.

However, the new bill makes it costly to withdraw money deposited in the Employee Investment Plan after January 1, 1987. When you want to withdraw money that you've invested in 1987 and beyond, you must withdraw a pro-rated portion of your earnings. These earnings are taxable and subject to a 10 percent penalty tax. The regular contributions (deposited after January 1, 1987) are not taxable or subject to a penalty tax — only earnings.

Remember: this new law only applies to money that was invested after January 1, 1987 and is withdrawn before the age of 59½. The penalty tax on earnings will be waived in some cases, such as death and disability. A complete list of exceptions is included in the letter which accompanies the Employee Investment Plan third quarter report.

Since 1982, under Section 401(k) of the Internal Revenue Code, employers can set up savings plans that permit employees to defer taxes on some portion of their pay. Grumman calls its version of the 401(k) "deferred compensation option" or DCO.

Under the deferred compensation option, your contribution is deposited directly into your Employee Investment Plan account by Grumman. Since the money is not paid directly to you, it is not considered current income by the IRS. These deposits are not subject to federal, state or local taxes.

The money accumulated through this deferred compensation option cannot be withdrawn until you are 59½ years old, or unless you meet IRS regulations for financial hardship. For instance, you can withdraw DCO funds to purchase a primary residence, pay college tuition bills, or meet non-reimbursed medical expenses — if you have already exhausted funds from readily available sources.

'The EIP is not intended for 'making a killing' in the market by taking advantage of short-term swings on Wall Street.'

The new tax bill lowers to $7,000 the yearly amount people can contribute to their DCO accounts. This is still a relatively high amount, however. "To protect against 401(k) options favoring higher-paid personnel, the IRS designed the fairness or non-discrimination test," says Bradshaw. "To meet the IRS requirements, the percentage that the higher-paid one-third of the work force may contribute is limited by the percentage that the remaining two-thirds contributes."

Right now, Grummanites in the lower two-thirds of the pay scale are allowed to contribute up to 14 percent of their base salary into their DCO account every year. The remainder of the work force is limited to seven percent.

The new tax bill changes the formula and redefines the higher-paid group. "That group's available percentage for 1987 has yet to be computed under the revised formula," says Bradshaw. "Those affected will be informed later this year."

Under the Tax Reform Act of 1986, money in 401(k) plans — including Grumman's DCO — continues to grow tax-free until it is taken out. All withdrawals of DCO money is taxed as ordinary income.

People aged 59½ years or older can continue to withdraw their DCO money just as they have been. Their withdrawals will be subject to income tax.

DCO withdrawals before the age of 59½ will continue to be restricted to hardship cases. However, as of January 1, 1989, such withdrawals will be limited to DCO contributions; DCO earnings cannot be withdrawn until age 59½ or older.

Starting January 1, 1987, any hardship withdrawals made prior to age 59½ will be subject to a 10 percent early withdrawal tax. This penalty tax is in addition to the regular income tax you must pay on your withdrawn DCO money.

For instance, if you have accumulated $10,000 through deferred compensation option in the Employee Investment Plan and you want to use this money to buy a house, you must pay income taxes on the $10,000, plus pay a penalty tax of $1,000. Remember that as of January 1, 1989, you cannot withdraw any of the earnings accrued from your DCO contributions until age 59½.

This penalty tax is waived for DCO withdrawals which are used for payment of medical expenses in excess of seven-and-a-half percent of your adjusted gross income.

Even if you don't touch any of your Investment Plan money - DCO or regular contributions — until age 59½, there are changes you should be aware of.

Many people plan to use 10-year forward income averaging when they withdraw their DCO money in a lump sum at retirement. This spreads the income tax they'd have to pay for the previously-untaxed DCO contributions — and the accumulated earnings — over a 10-year period when presumably their retirement income would be lower. In other words, 10-year income averaging allows you to pay tax as if you had received the cash over 10 years instead of all at once.

The new tax bill changed the

'Fortunately, most of the changes in tax law don't affect me. No question about it, the DCO's a great way to save for retirement.'

John Kappler, group head of Reliability/Maintainability/Safety Engineering, and his wife, Marion, live in Bethpage, Long Island. Kappler is 66 and plans to retire in 1988. (Photo by Bob Settles)

estment Plan

veraging and more

rules on lump-sum distributions. It chops 10-year income averaging to five years for a lump sum you receive after age 59½.

However, if you reached age 50 by January 1, 1986, the tax law lets you use either five-year income averaging under the new tax rates which begin in 1987 or use 10-year averaging under the old rules — using the 1986 tax rates — to calculate taxes on your lump-sum distribution. You can elect to use either 10- or five-year income averaging only once in a lifetime.

According to the IRS, you must be a member of the EIP for at least five years, terminate employment and close out your account to be eligible for a total lump-sum distribution and 10-year income averaging.

Other areas of the EIP have also been affected.

Under the new tax law, supplemental lump-sum contributions made after January 1, 1987, when added to your regular and deferred contributions — plus company match contributions — cannot be more than $30,000 or 25 percent of base earnings, whichever is less.

In addition, there are new regulations regarding capital gains, and required disbursement of funds once you reach the age of 70½ beginning in 1988. A complete explanation of these changes is included in the letter accompanying the EIP's third quarter report which was mailed to all members.

"While the Tax Reform Act of 1986 does have an impact on the Employee Investment Plan through the limitations it imposes, it does not diminish the value of the Plan either as an investment vehicle or a tax shelter," says Bradshaw. "It supports the original design of the Plan — to supplement retirement income.

"The company match, the deferred contribution option which lowers your current income taxes, the deferral of taxes on earnings, the several investment choices available, and the convenience of payroll deduction continue to present participants with an attractive investment opportunity," says Bradshaw. "The effects of the Tax Reform Act — as you can see — are complex, and you may wish to consult a tax advisor in order to make the best choices in the management of your income."

Technical adjustments are expected to be made to the Tax Reform Act of 1986 and official interpretations as well as regulations on its application will be published in the future. Grumman will provide updated information as it becomes available.■

More On Tax Reform

More information about the Tax Reform Act of 1986 appears on the following page, along with information about the termination of PAYSOP.

Philip Hoeffner, assistant to the production director at Stuart (Fla.) Operations, and his wife, Angela, have used the EIP to plan for educational expenses. Philip III, 19, is a college student; Lori, 13; Kathy, 17; Tracy, 16; and 11-year old Karen are college-bound, too.

'These days, you need to go to college no matter what walk of life you follow. That definitely requires financial planning.'

Q&A About Tax Reform And EIP

I'm saving for my retirement by investing four percent of my salary in the deferred compensation option. I'm 62 and plan to retire in two years. Should I cash in my DCO now?

It's up to you. If you plan to cash in your DCO just to avoid a penalty tax in 1986, don't worry about it. Only those younger than 59½ years of age have to pay the 10 percent penalty tax for hardship withdrawals of the deferred compensation option funds. (Even then, there are certain exceptions).

If you do eventually decide to get a lump sum distribution of your EIP funds after this year, remember that you can use income averaging over a period of 10 or five years. Income averaging allows you to pay tax as if you had received the cash over a period of years instead of all at once.

Ten-year income averaging uses the 1986 tax rates, while five-year income averaging uses the rates that are in effect at the time you decide to cash in your DCO. People have to be 50 years or older in 1986 to have the option of selecting 10-year or five-year income averaging on lump-sum distribution.

The new tax law seems to favor long-term investors saving for retirement. However, I'm using the EIP to save for my children's college education. I'll begin withdrawing the money in five years. I've already saved $20,000 through regular contributions. I'm investigating other investment vehicles to avoid the withdrawal penalty tax. Do I have to pay a penalty tax on my $20,000 when I begin to withdraw it in 1991?

All monies contributed after-tax prior to January 1, 1987 will always be available for tax-free withdrawals. After-tax contributions made after 1986 can also be withdrawn tax-free, except a prorated portion of the earnings must also be withdrawn at the same time. Earnings are subject to regular income tax and if you are not 59½ years or older, these earnings are subject to an additional 10 percent penalty tax.

Many younger Grummanites are saving to buy a house. Is Grumman investigating other savings plans — in addition to the EIP — that would help us save for a down payment?

The Employee Investment Plan is principally a supplemental retirement plan — not a short-term savings plan. The company is not considering any short-term savings plans. However, you could make regular contributions to EIP and receive the company match and then withdraw these contributions when a down payment is needed.

I was using the EIP to save for my child's education. The penalty tax on withdrawn EIP money is forcing me to think about dropping out of EIP and investing in zero-coupon municipal bonds. I'd hate to lose the company match. Is there any way to get around the penalty tax?

For short term savings, consider depositing all or part of your contributions on an after-tax basis; this would minimize the tax bite on your withdrawals. The company match and investment earnings may well more than offset the early withdrawal penalty and your EIP may turn out to be, therefore, a better investment than the tax-free bonds.

Is there any way EIP members can borrow against their accounts to avoid paying a penalty tax?

No, but you may want to consider a credit union loan. The earnings produced in your EIP account may outweigh the interest expense on loans.

Regular contributions deposited after January 1, 1987, must be withdrawn on a pro-rata basis. What is the ratio?

The numerator equals all the earnings and the denominator equals the total amount in your account. For example, assume you have a total of $10,000 in your account including $4,000 in earnings. You want to take out $5,000. You must withdrawn $2,000 of your earnings which will be taxed and $3,000 of your regular contributions which you have already paid tax. In addition, there is a 10 percent penalty tax — $200 — levied on your earnings withdrawal, if you are younger than 59½.

Don't Cry, Tax Reform Could Have Been A Lot Worse

The Tax Reform Act of 1986 is the most significant and comprehensive piece of tax legislation in three decades. The legislation has an effect on every individual and business in this country.

Overall the new system reduces tax rates while eliminating exclusions, deductions and preferences. Most individuals are likely to benefit in the long term. However, for those who have enjoyed the previously available incentive provisions of the tax law, there may be a painful period of transition.

How will the average Grummanite fare after this year? "While tax rates for individuals will drop, the elimination of consumer interest and sales tax deductions will hurt the average employee — especially those living on Long Island," says Doug Dahlgard, director of Grumman's Corporate Tax Department.

"However, it could have been a lot worse if state income and property tax deductions were eliminated," adds Dahlgard. Long Island residents pay the highest property taxes in the United States, and New Yorkers pay high state income tax rates. As a result, a much higher percentage of Long Islanders itemize on their tax returns compared to the national average.

Dahlgard admits that at this stage it's hard to pinpoint all the effects that the tax bill will have on individuals. The most sweeping overhaul since income tax became a dirty word in 1913, the Tax Reform Act of 1986 is over 2,000 pages long.

In 1986, there are 14 tax rates for individuals ranging from 11 to 50 percent. Under the new tax reform, there will eventually be two tax rates — 15 and 28 percent; there is an additional five percent tax on certain income ranges. During 1987 and 1988, the new tax rates will be phased in.

"While several deductions are eliminated immediately in 1987, the lower tax rates do not take full effect until 1988," says Dahlgard. "In some cases, Grummanites will see a tax increase in 1987."

Next year the standard deduction and the personal exemption will increase, and will increase again in 1988. The standard deduction in 1988 will be $3,000 for singles and $5,000 for joint returns. The personal exemption will almost double next year to $1,900 and will be $1,950 in 1988.

Deductions for state and local sales tax vanish on January 1, 1987. Deductions for interest expenses will begin phasing out. In 1987, only 65 percent of consumer interest — including credit cards, car and college loans — will be deductible. It drops to 40 percent in 1988; 20 in 1989; and 10 in 1990. By 1991, you won't be able to deduct any consumer interest.

Interest paid on a home mortgage loan remains deductible for both first and second homes. As originally proposed, the law would have let you deduct interest for consumer purchases by borrowing against your home. As passed, however, no deduction may be claimed for interest paid on the portion of a mortgage loan that is greater than the sum of the purchase price of the home plus the cost of the improvements made. Interest on any additional debt secured by a home up to its fair market value is deductible only if proceeds are used to pay qualified medical and educational costs.

Dahlgard offers a word of caution on home equity loans. "These are really second mortgages secured by your home," he says. "Lenders are aggressively pushing this type of borrowing using very attractive teaser rates. There is a temptation of using this credit line for short-term needs and impulse purchases. As you use the credit line, the debt increases and eventually the variable interest rate jumps up so that after a while the cost of the loan could become difficult to handle."

The new tax bill also affects many Grummanites who have used Individual Retirement Accounts (IRAs) to get a tax break. There are restrictions for Grumman people because they are covered by a pension plan, regardless if vested or not.

Starting in 1987, you can only take the full IRA deduction on your income tax if you are single and earn $25,000 or less annually in adjusted gross income. If you earn over $25,000, the amount you can deduct drops in steps — $200 for each $1,000 in income until you hit the $35,000 limit.

Married people filing jointly can keep the full deduction if their combined income is less than $40,000. However, the deduction decreases if either spouse is in a corporate pension plan. It disappears altogether when adjusted gross income reaches $50,000.

"If you are prohibited from using an IRA, you may still put tax deductible money into the DCO (deferred compensation option) in the Employee Investment Plan to reduce your current taxes," says Dahlgard. "However, the new law also puts in place a 10% penalty tax on withdrawals of DCO monies prior to age 59½. If you are saving for short term needs rather than retirement you should consider switching to after-tax (regular) contributions to minimize any tax bite on future withdrawals."

Other tax areas have been affected. Favorable treatment for capital gains; two-earner deduction; four-year income averaging; $100 exclusion for dividends ($200 on joint return); and the $100 political contributions credit all have been repealed.

State income tax is another area taxpayers should be concerned with. Most states with personal income taxes copy their tax structure from federal tax laws. In most states, residents apply the state tax rate to their adjusted gross income or their taxable income on their federal income tax forms.

"Because many federal tax deductions are eliminated under the new bill, people's adjusted gross incomes will be higher after this year," says Dahlgard. "New York State alone stands to gain $2 billion in additional taxes.

"Some governors have pledged to return all of the state income tax windfall to residents, yet there are a lot of special interest groups ready to claim the additional revenue," says Dahlgard. "It will be a major issue in state legislatures over the next few months."

Tax reform will also change the Grumman pension plan. Starting January 1, 1989, you will be vested in the plan after five years of service with the company.

Right now, Grummanites must have 10 years of company service before being vested. Vested means that you are entitled to a pension when you retire — even if you leave the company before retirement age.

What should you do about the tax reform changes? "Well, if you are not involved with passive investments, shelters or capital gains, maybe nothing," says Dahlgard.

Jumping at generalized advice may not be the best for you. For example, "buy a car before the end of the year so you can deduct the sales tax." The ads forget to say that your auto loan interest deduction will be phased out. "Act rationally, buy a car if you need it and be careful with home equity loans," he adds. "Remember, once the lower tax rates become fully effective in 1988, taxes should become less of a concern in your financial planning."■

'While several deductions are eliminated immediately in 1987, the lower tax rates do not take full effect until 1988. In some cases, Grummanites will see a tax increase in 1987.'

Holly Adler, a systems analyst in Office Automation, Grumman Data Systems, has used the DCO to save for a down payment. (Photo by Bob Settles)

'I hope to buy a house sometime in 1987. I haven't really studied the tax reform fully, but I know I'll be affected.'

PAYSOP Repealed

The Economic Recovery Tax Act of 1981 expanded the opportunity for employees to own company stock by permitting payroll-based employee stock ownership plans (called PAYSOPs). Through PAYSOP, Grummanites received Grumman shares at no cost to themselves. In turn, the company received tax credit for contributions used to fund the plan. Since January 1983, Grumman has contributed $20 million to employees through PAYSOP.

Due to the provisions of the Tax Reform Act of 1986, PAYSOP contributions to individual employee accounts will cease as of December 31, 1986. However, all PAYSOP accounts will remain open and active until further notice.

Retirees To Restore WWII Grumman Avenger

BETHPAGE, Long Island — A 1941 Grumman Avenger torpedo-bomber arrived here on Tuesday, October 21, for a facelift.

The World War II plane will eventually be on display at the Nassau County Cradle of Aviation Museum, located at Mitchel Field in Garden City. The aircraft is a gift from Mabel Schwendler in memory of her husband, William T. Schwendler Sr., one of the company founders.

"The Avenger is part of Grumman's soul," said Chairman Jack Bierwirth, at a dedication ceremony in Building 4 that drew 100 people. "We're glad to have this plane and I'm looking forward to seeing it in its reconditioned state."

A team of Grumman retirees will restore the Avenger for the museum by mid-1988. They are currently restoring a one-of-a-kind 1944 Grumman Kitten — a small, private plane — which will also be displayed in the aviation museum. Over the past year, the team has also been restoring a 1951 F9F Cougar for the Smithsonian Institution in Washington, D.C. This Korean War jet will be displayed at the Intrepid Sea-Air-Space Museum in New York City.

After the Avenger is completed by the retirees, it will be the cornerstone of a Grumman World War II exhibit at the Cradle of Aviation Museum. The Avenger, a Wildcat and Hellcat will be displayed on a replica of an aircraft carrier flight deck.

"We've been looking for an Avenger for several years," said Edward J. Smits, director of Museum Services. "We finally found this one at a World War II aircraft dealer in Idaho. We're proud to have it as part of our permanent collection."

The museum is run by the Nassau County Department of Parks and Recreation. Additional funding for the museum comes from the Friends for Long Island's Heritage — a citizen support group for all Nassau and Suffolk County museums.

The Cradle of Aviation Museum's home was once an old airplane field. In the 1920s, Mitchel Field was an Army Air Corp base; during World War II it was an Army fighter squadron training base; and in the 1950s it became an Air Force base. Mitchel Field closed down in early 1960s and part of the land was acquired by Nassau County to build a community college.

The museum currently consists of two unheated hangars, which are closed for the winter and will reopen in the spring. After a complete renovation, the hangars will open year 'round in 1989. The museum will house 50 aircraft, two of the seven lunar module models, and other mementoes of Long Island's contributions to aviation. ■

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Looking Her Over. *Grumman restoration retiree team checks out its new project. The team is expected to complete restoration of the Avenger by mid-1988. The retirees are currently restoring a 1944 Grumman Kitten.*

Heroic Plane Honored. *A 1941 Grumman Avenger recently landed at Bethpage for a dedication ceremony in its honor. Once the World War II plane is revamped, it will be displayed in the Nassau County Cradle of Aviation Museum, Mitchel Field, Garden City. The plane is a gift from Mabel Schwendler (second L). Also at the event were (L to R) Grumman Chairman Jack Bierwirth; William T. Schwendler Jr., Grumman Southeast Regional director; and Gerald Kessler, president of Friends For Long Island Heritage. (Photos by Bob Sagliocca)*

Retiree Obituaries

Retiree Obituaries

Alfred L. Brady of 1332 Margaret Dr., Leesburg, Florida, died Sept. 25, 1986. He retired in 1971.

Alvar F. Carlson of 20 Burkland La., Hicksville, N.Y., died Sept. 16, 1986. He retired in 1969.

Eugene T. McGreevy of 2 Katherin Dr., Plainview, N.Y., died Sept. 23, 1986. He retired in 1976.

Harry A. Pascale of 2929 SE Ocean Blvd., Stuart, Florida, died Sept. 10, 1986. He retired in 1975.

Edward S. Sherman of 13913 Airhill Rd., Brookville, Ohio, died Sept. 22, 1986. He retired in 1961.

George A. Fileman of 581 Corpino DePecho, Green Valley, Arizona, died October 19, 1986. He retired in 1972.

Richard P. Glass of 42 Scott St., Dix Hills, N.Y., died September 27, 1986. He retired in 1978.

George W. Hanna of 270 Jamaica Ave., Medford, N.Y., died August 2, 1986. He retired in 1982.

Stephen Kiss Jr. of 27 Center St., Hicksville, N.Y., died October 1, 1986. He retired in 1984.

Hugh G. MacPherson of 875 Jerusalem Ave., Uniondale, N.Y., died September 3, 1986. He retired in 1972.

Frederick Scott of 100 Everingham Ct., Syracuse, N.Y., died October 2, 1986. He retired in 1986.

George Sechko of 4 Queen St., Hicksville, N.Y., died October 2, 1986. He retired in 1977.

Harry G. Tipley of 80 Bethea Dr., Hendersonville, North Carolina, died October 4, 1986. He retired in 1976.

Abraham Zier of 63 Burton Ave., Plainview, N.Y., died September 26, 1986. He retired in 1977.

GrummanWorld
November 14, 1986

(Photo by Bob Settles)

Tilt-A-Whirl

Hal Herzberger is taking the F-14's Attitude Heading Reference System on a roll.

In the cockpit, the Attitude Heading Reference System provides the pilot with directional information — it's like a thoroughly accurate compass. It acts as a backup to the plane's Inertial Navigation System. The system is made by General Electric.

Rolling is one of the phenomena the system would encounter in flight. These simulations are part of the acceptance testing conducted in Building 8, Calverton, Long Island. Herzberger is using an instrument test tilt table, which can also simulate pitching motions. All in all, acceptance testing usually takes four hours.

Letters

Dear Editor:

I recently read a letter in Grumman World, October 10, 1986. The topic is smoking and why Grumman doesn't do anything about people smoking in New York plants.

This is a very important issue and people should be aware of it. When is Grumman going to show some initiative and enforce the no smoking rule that is in effect? Why are people allowed to smoke in Suffolk County and not in Nassau County? Is Great River the only plant in which people are allowed to smoke? When is this law going to go into effect? Will someone enforce it? What are the penalties for smoking in a nonsmoking area?

I shouldn't have to breathe someone else's smoke and shorten my life at the same time. Maybe you should pass around some information on the dangers of smoking and have some no smoking seminars.

Steve Scheinpflug
Receiving Inspection
Great River, L.I.

Jim Byrne, manager of benefits planning, replies:

"The corporate policy for smoking is now tougher in Nassau County than in Suffolk. This is due to the strict Nassau County ordinance adopted earlier this year, which severely limits smoking in the workplace. Effective November 1, our amended corporate policy was implemented for our Nassau County facilities. It prohibits smoking in the workplace, except for those areas designated by the company. In addition, it permits smoking in these designated areas only when employees are not expected to be performing their duties (e.g. breaks, lunchtime, etc.).

"Great River and all other Grumman facilities outside Nassau County are covered by the corporate policy, 'Smoking In The Office Workplace,' which was implemented November, 1984. This policy prohibits smoking in the public areas of the office (e.g. conference rooms, hallways, restrooms, etc.) and allows the individual to designate his or her immediate work area as a no smoking area.

"However, this too will soon change. Suffolk County recently amended its law to place more stringent regulations on smoking. The company is currently reviewing the law and its ramifications on corporate policy.

"Supervision is responsible for enforcement. Employees are expected to adhere to the policy and supervision should take the customary disciplinary steps to ensure adherence.

"The Medical Department offers literature on the perils of smoking, as well as guidance on kicking the habit. In addition, smokers are encouraged to participate in the Grumman stop-smoking workshops begun two years ago and cosponsored by the American Cancer Society."

Dear Editor:

In regards to the article on page 3 of Grumman World, August 15 ("Do You Want To Kick The Habit?"): I signed up for the FreshStart clinic and I *did* after smoking for over 35 years.

Paul Kastner is a great influence and I think that if all smokers attended this clinic, we would have less smokers in our company.

I recommend FreshStart to all smokers and can only say thanks to Grumman for its interest in its employees.

Sincerely,

David Marsden
Building 2
Bethpage

Kick The Habit On November 20

On Thursday, November 20, you'll get your chance to decrease your risk of cancer or heart disease. That's the day of the annual Great American Smokeout, sponsored by the American Cancer Society.

Last year, 30 million American smokers participated in the Smokeout. A Gallup poll found that 77 percent — 23 million people — succeeded for the full 24 hours and 3.7 million were still not smoking five days later.

The Great American Smokeout is all about willpower: using yours for one day of abstinence. It helps if you can get other smoking friends to participate. Remember: the time is always right to kick the habit.

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